Exhibit 1:

Extracts From Amazon.com's 2000 Form 10-K

PART I

Item 1. *Business*

This Annual Report on Form 10-K and the documents incorporated herein by reference contain forward-looking statements based on expectations, estimates and projections as of the date of this filing. Actual results may differ materially from those expressed in forward-looking statements. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Forward-Looking Statements.''

General

Amazon.com, Inc. commenced operations on the World Wide Web in July 1995. We seek to be the world's most customer-centric company, where customers can find and discover anything they may want to buy online. We list millions of unique items in categories such as books, music, DVDs, videos, consumer electronics, toys, camera and photo items, software, computer and video games, tools and hardware, lawn and patio items, kitchen products, and wireless products. Through our Amazon Marketplace, Auctions and zShops services, any business or individual can sell virtually anything to our approximately 30 million cumulative customers, and with Amazon.com Payments, sellers can accept credit card transactions. In addition to our U.S.-based Web site, *www.amazon.com*, we operate four internationally-focused Web sites: *www.amazon.co.uk*, *www.amazon.de*, *www.amazon.fr* and *www.amazon.co.jp*. We also operate the Internet Movie Database (*www.imdb.com*), a comprehensive and authoritative source of information on movies and entertainment titles, and cast and crew members.

Amazon.com is principally organized into three operating segments. The U.S. Books, Music and DVD/video segment consists of our U.S. online stores for books, music and DVDs/videos, as well as commissions earned on the sales of these products through Amazon Marketplace, Auctions and zShops. The Early-Stage Businesses and Other segment consists of our U.S. online stores for all other products, as well as commissions earned on sales of these products through Amazon Marketplace, Auctions and zShops, and all other activities that generate service revenue rather than retail revenue, such as strategic partnerships which often involve co-branded Web sites. The International segment consists of operations associated with our internationally-focused Web sites. See Note 15 of ''Notes to Consolidated Financial Statements'' included in Item 8 of Part II for additional information regarding our segments.

Amazon.com was incorporated in 1994 in the state of Washington and reincorporated in 1996 in the state of Delaware. Our principal corporate offices are located in Seattle, Washington. Amazon.com completed its initial public offering in May 1997, and its common stock is listed on the Nasdaq National Market under the symbol ''AMZN.''

As used herein, ''Amazon.com'' includes Amazon.com, Inc. and its subsidiaries, unless the context indicates otherwise.

Business Strategy

Amazon.com seeks to be the world's most customer-centric company where customers can find and discover anything they may want to buy online. We intend to continue to optimize our Internet platform to expand the range of products and services offered to our customers and partners. This platform consists of strong global brand recognition, a large and growing customer base, innovative technology, extensive and sophisticated fulfillment capabilities (consisting of fulfillment and customer service) and significant e-commerce expertise. We believe that this platform allows us to launch new e-commerce businesses quickly, with a high quality of customer experience, economical incremental cost and good prospects for success. We also believe that this platform's flexibility allows us to expand the range of products and services offered to our customers through relationships with strategic partners on terms that are attractive to our customers, our strategic partners and us.

AMAZON.COM, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 31, 2000	December 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 822,435	$ 133,309
Marketable securities	278,087	572,879
Inventories	174,563	220,646
Prepaid expenses and other current assets	86,044	79,643
Total current assets	1,361,129	1,006,477
Fixed assets, net	366,416	317,613
Goodwill, net	158,990	534,699
Other intangibles, net	96,335	195,445
Investments in equity-method investees	52,073	226,727
Other equity investments	40,177	144,735
Other assets	60,049	40,154
Total assets	$ 2,135,169	$2,465,850
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 485,383	$ 463,026
Accrued expenses and other current liabilities	272,683	176,208
Unearned revenue	131,117	54,790
Interest payable	69,196	24,888
Current portion of long-term debt and other	16,577	14,322
Total current liabilities	974,956	733,234
Long-term debt	2,127,464	1,466,338
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock, $0.01 par value:		
Authorized shares — 500,000		
Issued and outstanding shares — none	—	—
Common stock, $0.01 par value:		
Authorized shares — 5,000,000		
Issued and outstanding shares — 357,140 and 345,155 shares at December 31, 2000 and 1999, respectively	3,571	3,452
Additional paid-in capital	1,338,303	1,194,369
Deferred stock-based compensation	(13,448)	(47,806)
Accumulated other comprehensive loss	(2,376)	(1,709)
Accumulated deficit	(2,293,301)	(882,028)
Total stockholders' equity (deficit)	(967,251)	266,278
Total liabilities and stockholders' equity (deficit)	$ 2,135,169	$2,465,850

See accompanying notes to consolidated financial statements.

AMAZON.COM, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Years Ended December 31,		
	2000	1999	1998
Net sales	$ 2,761,983	$1,639,839	$ 609,819
Cost of sales	2,106,206	1,349,194	476,155
Gross profit	655,777	290,645	133,664
Operating expenses:			
Marketing and fulfillment	594,489	413,150	132,654
Technology and content	269,326	159,722	46,424
General and administrative	108,962	70,144	15,618
Stock-based compensation	24,797	30,618	1,889
Amortization of goodwill and other intangibles	321,772	214,694	42,599
Impairment-related and other	200,311	8,072	3,535
Total operating expenses	1,519,657	896,400	242,719
Loss from operations	(863,880)	(605,755)	(109,055)
Interest income	40,821	45,451	14,053
Interest expense	(130,921)	(84,566)	(26,639)
Other income (expense), net	(10,058)	1,671	—
Non-cash gains and losses, net	(142,639)	—	—
Net interest expense and other	(242,797)	(37,444)	(12,586)
Loss before equity in losses of equity-method investees, net	(1,106,677)	(643,199)	(121,641)
Equity in losses of equity-method investees, net	(304,596)	(76,769)	(2,905)
Net loss	$(1,411,273)	$ (719,968)	$(124,546)
Basic and diluted loss per share	$ (4.02)	$ (2.20)	$ (0.42)
Shares used in computation of basic and diluted loss per share	350,873	326,753	296,344

See accompanying notes to consolidated financial statements.

AMAZON.COM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2000	1999	1998
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	$ 133,309	$ 71,583	$ 110,119
OPERATING ACTIVITIES:			
Net loss	(1,411,273)	(719,968)	(124,546)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation of fixed assets and other amortization	84,460	36,806	9,421
Amortization of deferred stock-based compensation	24,797	30,618	2,386
Equity in losses of equity-method investees, net	304,596	76,769	2,905
Amortization of goodwill and other intangibles	321,772	214,694	42,599
Impairment-related and other	200,311	8,072	1,561
Amortization of previously unearned revenue	(108,211)	(5,837)	—
Loss (gain) on sale of marketable securities, net	(280)	8,688	271
Non-cash investment gains and losses, net	142,639	—	—
Non-cash interest expense and other	24,766	29,171	23,970
Changes in operating assets and liabilities:			
Inventories	46,083	(172,069)	(20,513)
Prepaid expenses and other current assets	(8,585)	(54,927)	(16,758)
Accounts payable	22,357	330,166	78,674
Accrued expenses and other current liabilities	93,967	95,839	31,232
Unearned revenue	97,818	6,225	—
Interest payable	34,341	24,878	(167)
Net cash provided by (used in) operating activities	(130,442)	(90,875)	31,035
INVESTING ACTIVITIES:			
Sales and maturities of marketable securities	545,724	2,064,101	227,789
Purchases of marketable securities	(184,455)	(2,359,398)	(504,435)
Purchases of fixed assets	(134,758)	(287,055)	(28,333)
Investments in equity-method investees and other investments	(62,533)	(369,607)	(19,019)
Net cash provided by (used in) investing activities	163,978	(951,959)	(323,998)
FINANCING ACTIVITIES:			
Proceeds from exercise of stock options	44,697	64,469	14,366
Proceeds from long-term debt	681,499	1,263,639	325,987
Repayment of long-term debt	(16,927)	(188,886)	(78,108)
Financing costs	(16,122)	(35,151)	(7,783)
Net cash provided by financing activities	693,147	1,104,071	254,462
Effect of exchange-rate changes on cash and cash equivalents	(37,557)	489	(35)
Net increase (decrease) in cash and cash equivalents	689,126	61,726	(38,536)
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 822,435	$ 133,309	$ 71,583
SUPPLEMENTAL CASH FLOW INFORMATION:			
Fixed assets acquired under capital leases	$ 4,459	$ 25,850	$ —
Fixed assets acquired under financing agreements	4,844	5,608	—
Stock issued in connection with business acquisitions	32,130	774,409	217,241
Equity securities received for commercial agreements	106,848	54,402	—
Cash paid for interest	92,253	59,688	26,629

See accompanying notes to consolidated financial statements.

Exhibit 2:

Amazon.com’s Q1 2001 Financial Results

AMAZON.COM RELEASES 2001 FIRST QUARTER RESULTS

Net Sales Up 22% -- Strong Sales in Electronics and International;
Gross Profit Up 43%;
Company Takes Previously Announced Restructuring Charges

SEATTLE – (Business Wire) – April 24, 2001 – Amazon.com, Inc. (NASDAQ: AMZN) today announced financial results for the first quarter ended March 31, 2001. Net sales were at the top end of the company's guidance, increasing 22 percent to $700 million, compared with $574 million in the first quarter of 2000. Gross profit for the quarter was $183 million, compared with $128 million for the first quarter of 2000, an increase of 43 percent. With another quarter of strong revenue growth, Electronics remained the company's second-biggest U.S. store, while net sales from Amazon.com's four international sites rose to $132 million, an increase of 76 percent from the first quarter of 2000.

Pro forma operating loss was $49 million in the first quarter of 2001, compared with a pro forma operating loss of $99 million in the first quarter of 2000. This marks the fifth sequential quarter in which pro forma absolute dollar operating losses have declined. The company posted a pro forma net loss of $0.21 per share, compared with $0.35 per share in the prior year quarter. A detailed reconciliation of GAAP to pro forma is included with the attached financial statements.

Net loss (GAAP) for the quarter was $234 million, or $0.66 per share. Excluding $114 million, which represents this quarter's portion of previously announced restructuring and other charges, and excluding a net gain of $23 million for certain other items, the net loss for the quarter would have been $143 million, or $0.40 per share. First quarter 2000 net loss was $308 million, or $0.90 per share. Amazon.com ended the quarter with $643 million in cash and marketable securities.

"This was another quarter of significant progress for Amazon.com -- we are on track to reach our objective of pro forma operating profitability in the coming December quarter," said Warren Jenson, Amazon.com's chief financial officer.

"We're working hard every day to innovate, making Amazon.com even better for customers, and we're grateful for their response. Cumulative customer accounts grew to over 32 million, which includes 6 million international customers," said Jeff Bezos, founder and CEO of Amazon.com. "Again this quarter our customers responded with particularly strong purchase levels in our electronics, tools and kitchen stores and from our international sites."

On January 30, 2001, the company announced a reduction in its corporate staffing and a consolidation of its fulfillment and customer service center networks. The company took restructuring and other charges of $114 million during the first quarter of 2001, and expects to take additional restructuring and other charges of over $50 million during the second quarter of the year.

Highlights of First Quarter Results (all comparisons are with the prior year quarter)

- Net sales rose 22% to $700 million.

- Gross profit increased 43% to $183 million.
- Worldwide, 3 million new customers ordered, including 1 million new International customers.
- Pro forma loss from operations was $49 million, or 7% of net sales, compared with $99 million, or 17% of net sales.
- Pro forma net loss was $0.21 per share, compared with $0.35 per share.
- Net loss (GAAP) was $234 million, or $0.66 per share, down from $308 million, or $0.90 per share, an improvement of more than 24%. Excluding $114 million for this quarter's portion of previously announced restructuring and other charges, and excluding a net gain of $23 million for certain other items, the net loss would have been $143 million, or $0.40 per share.
- Cash and marketable securities were $643 million at March 31, 2001.

Pro forma information regarding Amazon.com's results from operations is provided as a complement to results provided in accordance with accounting principles generally accepted in the United States (GAAP). Pro forma operating loss excludes stock-based compensation costs, amortization of goodwill and other intangibles, and impairment-related and other costs (including restructuring and other charges). Management measures the progress of the business using this pro forma information.

Pro forma net loss excludes stock-based compensation costs, amortization of goodwill and other intangibles, impairment-related and other costs (including restructuring and other charges), non-cash gains and losses, equity in losses of equity-method investees, and the cumulative effect of change in accounting principle.

Operational Highlights

- Amazon.com and Borders Group, Inc., (NYSE: BGP) announced an agreement to re-launch Borders.com as a co-branded Web site powered by Amazon.com's e-commerce platform.
- Amazon Marketplace gross merchandise sales in March 2001 nearly doubled over December 2000, and over a quarter of a million Amazon.com customers have already made at least one purchase from Amazon Marketplace, a new service that allows customers to buy and sell used and collectible items directly from Amazon.com's product detail pages.
- Amazon.com launched the Amazon Honor System (www.amazon.com/honor), now with over 1,000 participating Web sites, enabling online visitors to easily "tip" their favorite sites or to pay for access to premium content.
- Amazon.com's Worldwide Digital Group launched three new initiatives: a Software Downloads store (www.amazon.com/software); a global alliance to offer the Adobe (NASDAQ: ADBE) Acrobat eBook Reader™ software in Amazon.com's e-Books store (www.amazon.com/ebooks), which offers nearly 2,000 Adobe Portable Document Format-based eBooks; and a new free music downloads community (www.amazon.com/music-downloads), designed to help fans discover the music of major-label and independent artists through thousands of free MP3 and Liquid Audio downloads and artist uploads.
- The Trilogy/Fortune Survey on Customer Relations 2001 named Amazon.com the best non-Fortune 500 company overall at managing customer relations.

Business Outlook

The following forward-looking statements reflect Amazon.com's expectations as of April 24, 2001. Given the potential changes in general economic conditions and consumer spending, the emerging nature of online retail, and the various other risk factors discussed below, actual results may differ materially. The company intends to continue its practice of not updating forward-looking statements other than in publicly available statements.

Second Quarter 2001 Expectations
- Net sales are expected to be between $650 million and $700 million.
- Gross margin is expected to be between 23 and 26 percent of net sales.

- Absolute pro forma operating losses are expected to be flat to slightly improved from the first quarter of 2001.
- Cash and marketable securities are expected to be approximately $600 million as of June 30, 2001, and approximately $900 million at December 31, 2001.

Full Year 2001 Expectations

- Net sales are expected to increase between 20 and 30 percent over 2000.
- Pro forma operating losses are expected to be between 3 and 6 percent of net sales for the year, with pro forma operating profitability expected in the fourth quarter.
- Cash and marketable securities are expected to be approximately $900 million at December 31, 2001.

These forward-looking statements are inherently difficult to predict. Actual results could differ materially for a variety of reasons, including, among others, the rate of growth of the Internet and online commerce, customer spending patterns, the amount that Amazon.com invests in new business opportunities and the timing of those investments, the mix of products sold to customers, the mix of net sales derived from products as compared to services, risks of inventory management, the degree to which the company enters into service relationships and other strategic transactions, fluctuations in the value of securities and non-cash payments Amazon.com receives in connection with such transactions, and risks of fulfillment throughput and productivity. Other risks and uncertainties include, among others, Amazon.com's anticipated losses, significant amount of indebtedness, competition, seasonality, potential fluctuations in operating results, management of potential growth, system interruption, consumer trends, fulfillment center optimization, inventory, limited operating history, fraud and Amazon Payments, and new business areas, international expansion, business combinations, strategic alliances and strategic partnerships. More information about factors that potentially could affect Amazon.com's financial results is included in Amazon.com's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2000.

Conference Call

A conference call to discuss first quarter 2001 financial results and 2001 business outlook will be Webcast live on Tuesday, April 24, 2001, at 5:00 p.m. EDT/2:00 p.m. PDT. This conference call will be available at www.amazon.com/ir through June 30, 2001, and will contain forward-looking statements and other material information.

About Amazon.com

Amazon.com (Nasdaq: AMZN) opened its virtual doors on the World Wide Web in July 1995 and today offers Earth's Biggest Selection, along with online auctions and free electronic greeting cards. Amazon.com seeks to be the world's most customer-centric company, where customers can find and discover anything they might want to buy online. Amazon.com lists millions of unique items in categories such as electronics, kitchen and housewares, books, music, DVDs, videos, camera and photo items, toys, software, computer and video games, tools and hardware, outdoor living and wireless products. Through Amazon.com zShops, any business or individual can sell virtually anything to Amazon.com's over 32 million cumulative customers, and with Amazon Payments, sellers can accept credit card transactions, avoiding the hassles of offline payments.

Amazon.com operates four international Web sites: www.amazon.fr, www.amazon.co.uk, www.amazon.de and www.amazon.co.jp. It also operates the Internet Movie Database (www.imdb.com), the Web's comprehensive and authoritative source of information on more than 250,000 movies and entertainment titles and one million cast and crew members dating from the birth of film in 1891 to 2003.

AMAZON.COM, INC.
Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Net sales	$ 700,356	$ 573,889
Cost of sales	517,759	445,755
Gross profit	182,597	128,134
Operating expenses:		
Fulfillment	98,248	99,463
Marketing	36,638	40,648
Technology and content	70,284	61,244
General and administrative	26,028	26,045
Stock-based compensation	2,916	13,652
Amortization of goodwill and other intangibles	50,831	82,955
Impairment-related and other	114,260	2,019
Total operating expenses	399,205	326,026
Loss from operations	(216,608)	(197,892)
Interest income	9,950	10,126
Interest expense	(33,748)	(27,621)
Other expense, net	(3,884)	(4,774)
Non-cash gains and losses, net	33,857	-
Net interest income (expense) and other	6,175	(22,269)
Loss before equity in losses of equity-method investees	(210,433)	(220,161)
Equity in losses of equity-method investees, net	(13,175)	(88,264)
Net loss before change in accounting principle	(223,608)	(308,425)
Cumulative effect of change in accounting principle	(10,523)	-
Net loss	$ (234,131)	$ (308,425)
Basic and diluted loss per share:		
Prior to cumulative effect of change in accounting principle	$ (0.63)	$ (0.90)
Cumulative effect of change in accounting principle	(0.03)	-
	$ (0.66)	$ (0.90)
Shares used in computation of basic and diluted loss per share	357,424	343,884

Note: The attached "Financial and Operational Highlights" are an integral part of the press release financial statements.

AMAZON.COM, INC.
Pro Forma Statements of Operations
(in thousands, except per share data)

	Three Months Ended March 31, 2001			Three Months Ended March 31, 2000		
	As Reported	Pro Forma Adjustments	Pro Forma	As Reported	Pro Forma Adjustments	Pro Forma
Net sales	$ 700,356	-	$ 700,356	$ 573,889	-	$ 573,889
Cost of sales	517,759	-	517,759	445,755	-	445,755
Gross profit	182,597	-	182,597	128,134	-	128,134
Operating expenses:						
Fulfillment	98,248	-	98,248	99,463	-	99,463
Marketing	36,638	-	36,638	40,648	-	40,648
Technology and content	70,284	-	70,284	61,244	-	61,244
General and administrative	26,028	-	26,028	26,045	-	26,045
Stock-based compensation	2,916	(2,916)	-	13,652	(13,652)	-
Amortization of goodwill and other intangibles	50,831	(50,831)	-	82,955	(82,955)	-
Impairment-related and other	114,260	(114,260)	-	2,019	(2,019)	-
	399,205	(168,007)	231,198	326,026	(98,626)	227,400
Loss from operations	(216,608)	168,007	(48,601)	(197,892)	98,626	(99,266)
Interest income	9,950	-	9,950	10,126	-	10,126
Interest expense	(33,748)	-	(33,748)	(27,621)	-	(27,621)
Other expense, net	(3,884)	-	(3,884)	(4,774)	-	(4,774)
Non-cash gains and losses, net	33,857	(33,857)	-	-	-	-
	6,175	(33,857)	(27,682)	(22,269)	-	(22,269)
Loss before equity in losses of equity-method investees	(210,433)	134,150	(76,283)	(220,161)	98,626	(121,535)
Equity in losses of equity-method investees, net	(13,175)	13,175	-	(88,264)	88,264	-
Net loss before change in accounting principle	(223,608)	147,325	(76,283)	(308,425)	186,890	(121,535)
Cumulative effect of change in accounting principle	(10,523)	10,523	-	-	-	-
Net loss	$ (234,131)	$ 157,848	$ (76,283)	$ (308,425)	$ 186,890	$ (121,535)
Basic and diluted loss per share:						
Prior to cumulative effect of change in accounting principle	$ (0.63)		$ (0.21)	$ (0.90)		$ (0.35)
Cumulative effect of change in accounting principle	(0.03)		-	-		-
	$ (0.66)		$ (0.21)	$ (0.90)		$ (0.35)
Shares used in computation of basic and diluted loss per share	357,424		357,424	343,884		343,884

Note: The attached "Financial and Operational Highlights" are an integral part of the press release financial statements.

AMAZON.COM, INC.
Segment Information
(in thousands)
(unaudited)

Three Months Ended March 31, 2001

	U.S. Retail					
	Books, Music and DVD/Video	Electronics, Tools and Kitchen	Total	International	Services	Consolidated
Net sales	$ 409,586	$ 116,507	$ 526,093	$ 132,105	$ 42,158	$ 700,356
Gross profit	109,119	17,220	126,339	28,050	28,208	182,597
Pro forma income (loss) from operations	27,625	(45,833)	(18,208)	(34,569)	4,176	(48,601)
Other non-cash operating expenses						(168,007)
Net interest expense and other						6,175
Equity in losses of equity-method investees, net						(13,175)
Cumulative effect of change in accounting principle						(10,523)
Net loss						$ (234,131)
Segment highlights:						
Y / Y net sales growth	2%	56%	11%	76%	85%	22%
Y / Y gross profit growth	32%	144%	41%	75%	27%	43%
Gross margin	27%	15%	24%	21%	67%	26%
Pro forma operating margin	7%	(39%)	(3%)	(26%)	10%	(7%)

Three Months Ended March 31, 2000

	U.S. Retail					
	Books, Music and DVD/Video	Electronics, Tools and Kitchen	Total	International	Services	Consolidated
Net sales	$ 401,415	$ 74,596	$ 476,011	$ 75,132	$ 22,746	$ 573,889
Gross profit	82,855	7,059	89,914	16,036	22,184	128,134
Pro forma loss from operations	(2,425)	(67,249)	(69,674)	(27,448)	(2,144)	(99,266)
Other non-cash operating expenses						(98,626)
Net interest expense and other						(22,269)
Equity in losses of equity-method investees, net						(88,264)
Cumulative effect of change in accounting principle						-
Net loss						$ (308,425)
Segment highlights:						
Y / Y net sales growth	50%	N/A	78%	192%	N/A	95%
Y / Y gross profit growth	40%	N/A	51%	211%	N/A	98%
Gross margin	21%	9%	19%	21%	98%	22%
Pro forma operating margin	(1%)	(90%)	(15%)	(37%)	(9%)	(17%)

Note: The attached "Financial and Operational Highlights" are an integral part of the press release financial statements.

AMAZON.COM, INC.
Balance Sheets
(in thousands, except per share data)
(unaudited)

	MARCH 31, 2001	DECEMBER 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 446,944	$ 822,435
Marketable securities	196,029	278,087
Inventories	155,562	174,563
Prepaid expenses and other current assets	57,175	86,044
Total current assets	855,710	1,361,129
Fixed assets, net	304,179	366,416
Goodwill, net	123,996	158,990
Other intangibles, net	80,424	96,335
Investments in equity-method investees	22,539	52,073
Other equity investments	28,503	40,177
Other assets	54,804	60,049
Total assets	$ 1,470,155	$ 2,135,169
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 257,411	$ 485,383
Accrued expenses and other current liabilities	217,613	272,683
Unearned revenue	93,661	131,117
Interest payable	16,720	69,196
Current portion of long-term debt and other	19,305	16,577
Total current liabilities	604,710	974,956
Long-term debt and other	2,118,856	2,127,464
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, $0.01 par value:		
Authorized shares -- 500,000		
Issued and outstanding shares -- none	-	-
Common stock, $0.01 par value:		
Authorized shares -- 5,000,000		
Issued and outstanding shares -- 358,847 and 357,140 shares at March 31, 2001 and December 31, 2000, respectively	3,588	3,571
Additional paid-in capital	1,344,083	1,338,303
Deferred Stock-based compensation	(10,532)	(13,448)
Accumulated other comprehensive loss	(63,118)	(2,376)
Accumulated deficit	(2,527,432)	(2,293,301)
Total stockholders' deficit	(1,253,411)	(967,251)
Total liabilities and stockholders' deficit	$ 1,470,155	$ 2,135,169

Note: The attached "Financial and Operational Highlights" are an integral part of the press release financial statements.

AMAZON.COM, INC.
Statements of Cash Flows
(in thousands)
(unaudited)

	THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	$ 822,435	$ 133,309
OPERATING ACTIVITIES:		
Net loss	(234,131)	(308,425)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of fixed assets	23,073	18,180
Stock-based compensation	2,916	13,652
Equity in losses of equity-method investees, net	13,175	88,264
Amortization of goodwill and other intangibles	50,831	82,955
Non-cash impairment-related and other costs	62,004	2,019
Amortization of previously unearned revenue	(33,392)	(18,485)
Loss (gain) on sale of marketable securities	27	(2,600)
Non-cash gains and losses, net	(33,857)	-
Non-cash interest expense and other	6,572	5,881
Cumulative effect of change in accounting principle	10,523	-
Changes in operating assets and liabilities:		
Inventories	19,823	48,389
Prepaid expenses and other current assets	27,334	(3,067)
Accounts payable	(229,758)	(207,229)
Accrued expenses and other current liabilities	(57,762)	(31,538)
Unearned revenue	18,005	614
Interest payable	(52,367)	(8,988)
Net cash used in operating activities	(406,984)	(320,378)
INVESTING ACTIVITIES:		
Sales and maturities of marketable securities	94,366	380,345
Purchases of marketable securities	(30,378)	(28,856)
Purchases of fixed assets	(19,437)	(26,601)
Investments in equity-method investees and other investments	-	(47,487)
Net cash provided by investing activities	44,551	277,401
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	5,833	21,359
Proceeds from long-term debt and other	10,000	679,374
Repayment of long-term debt and other	(4,575)	(4,023)
Financing costs	-	(15,895)
Net cash provided by financing activities	11,258	680,815
Effect of exchange rate changes on cash and cash equivalents	(24,316)	(16,014)
Net increase (decrease) in cash and cash equivalents	(375,491)	621,824
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 446,944	$ 755,133
SUPPLEMENTAL CASH FLOW INFORMATION:		
Fixed assets acquired under capital leases	$ 2,298	$ 3,502
Fixed assets acquired under financing agreements	-	4,551
Equity securities received for commercial agreements	331	97,839
Cash paid for interest	86,224	35,835

Note: The attached "Financial and Operational Highlights" are an integral part of the press release financial statements.

AMAZON.COM, INC.
Supplemental Financial Information and Business Metrics
(in millions, except per share, inventory turnover, cost per new customer, and net sales per active customer data)
(unaudited)

		2000					*Y / Y*
	Q4 1999	Q1	Q2	Q3	Q4	Q1 2001	*Growth %*
Results of Operations							
Net sales	$676	$574	$578	$638	$972	$700	*22%*
Net sales -- trailing twelve months (TTM)	$1,640	$1,920	$2,184	$2,466	$2,762	$2,888	*50%*
Gross profit	$88	$128	$136	$167	$224	$183	*43%*
Gross margin -- % of net sales	13.0%	22.3%	23.5%	26.2%	23.1%	26.1%	*N/A*
Fulfillment costs -- % of net sales	15.8%	17.3%	15.2%	15.1%	13.5%	14.0%	*N/A*
Pro forma operating loss	$(175)	$(99)	$(89)	$(68)	$(60)	$(49)	*(51%)*
Pro forma operating loss -- % of net sales	(25.9%)	(17.3%)	(15.5%)	(10.7%)	(6.2%)	(6.9%)	*N/A*
Pro forma net loss	$(185)	$(122)	$(116)	$(89)	$(90)	$(76)	*(38%)*
Pro forma net loss per share	$(0.55)	$(0.35)	$(0.33)	$(0.25)	$(0.25)	$(0.21)	*(40%)*
GAAP net loss	$(323)	$(308)	$(317)	$(241)	$(545)	$(234)	*(24%)*
GAAP net loss per share	$(0.96)	$(0.90)	$(0.91)	$(0.68)	$(1.53)	$(0.66)	*(27%)*
U.S. books, music and DVD/video pro forma operating income (loss) -- % of U.S. books, music and DVD/video net sales	(4%)	(1%)	3%	6%	8%	7%	*N/A*
U.S. electronics, tools and kitchen pro forma operating loss -- % of U.S. electronics, tools and kitchen net sales	(78%)	(90%)	(75%)	(62%)	(33%)	(39%)	*N/A*
U.S. retail pro forma operating loss -- % of U.S. retail net sales	(21%)	(15%)	(12%)	(7%)	(5%)	(3%)	*N/A*
International pro forma operating loss -- % of international net sales	(43%)	(37%)	(47%)	(45%)	(30%)	(26%)	*N/A*
Services pro forma operating income (loss) -- % of services net sales	(238%)	(9%)	15%	14%	18%	10%	*N/A*
Customer Data							
New customers	3.8	3.1	2.5	2.9	4.1	3.0	*(3%)*
Cumulative customers	16.9	20.0	22.5	25.4	29.5	32.5	*63%*
Active customers -- TTM	14.1	15.9	17.0	18.2	19.8	20.5	*29%*
New customers -- international	0.6	0.6	0.6	0.9	1.1	1.0	*67%*
Cumulative customers -- international	1.8	2.4	3.0	3.9	5.0	6.0	*150%*
Active customers – international -- TTM	1.7	2.2	2.7	3.3	4.2	4.9	*123%*
Cost per new customer	$19	$13	$17	$15	$13	$12	*(8%)*
Net sales (excluding catalog sales and inventory sales to toysrus.com) per active customer – TTM	$113	$117	$125	$130	$134	$135	*15%*
U.S. customers purchasing from non-books, music and DVD/video stores	24%	11%	13%	14%	36%	19%	*N/A*
Balance Sheet							
Cash and marketable securities	$706	$1,009	$908	$900	$1,101	$643	*(36%)*
Inventory, net	$221	$172	$172	$164	$175	$156	*(10%)*
Inventory -- % of net sales	33%	30%	30%	26%	18%	22%	*N/A*
Inventory turnover – annualized	13.9	9.1	10.3	11.2	17.7	12.6	*38%*
Fixed assets, net	$318	$334	$344	$352	$366	$304	*(9%)*
Cash Flows							
Cash generated by (used in) operations	$32	$(320)	$(54)	$(4)	$248	$(407)	*27%*
Purchases of fixed assets	$(105)	$(27)	$(29)	$(42)	$(37)	$(19)	*(30%)*

AMAZON.COM, INC.
Financial and Operational Highlights
First Quarter 2001
(unaudited)

Results of Operations *(all comparisons are to the prior year quarter)*

Net Sales

- Orders from repeat customers represented 78% of total, up from 76%.
- Shipping revenue across all segments was approximately $82 million, up from $75 million.
- Cash-based portion of Services revenues was approximately 79%, up from 25%.
- Sales to customers outside the U.S., including export sales from www.amazon.com, increased to approximately 26% of net sales, from approximately 24% of net sales.

Gross Profit

- Gross margin, excluding the results of our Services segment, would have been 23%, up from 19%.
- Shipping gross loss was approximately $5 million, down from slightly positive. We will continue to offer shipping promotions to our customers; accordingly, shipping gross margins may fluctuate.

Fulfillment

- Fulfillment costs represent those costs incurred in operating and staffing our fulfillment and customer service centers, including costs attributable to receiving, inspecting and warehousing inventories; picking, packaging and preparing customers' orders for shipment; credit card fees; and responding to inquiries from customers.
- Fulfillment costs amounted to approximately 14% of net sales, down from 17% of net sales; excluding net sales from our Services segment, fulfillment costs were approximately 15%, down from 18%.

Stock-Based Compensation

- Stock-based compensation comprises the portion of acquisition-related consideration conditioned on the continued tenure of key employees of certain of our acquired businesses, which must be classified as compensation expense rather than as a component of purchase price under accounting principles generally accepted in the United States. Stock-based compensation also includes stock-based charges such as option-related deferred compensation recorded at our initial public offering, as well as certain other compensation and severance arrangements.
- During the first quarter of 2001, we offered a limited non-compulsory exchange of employee stock options. This option exchange offer results in variable accounting treatment for approximately 15 million stock options, which includes approximately 12 million options granted under the exchange offer with an exercise price of $13.375, and options that were subject to the exchange offer but were not exchanged. Variable accounting treatment will result in unpredictable charges, recorded to "Stock-based compensation," dependent on fluctuations in quoted prices for our common stock. As the quoted price of our common stock at March 31, 2001, did not exceed the exercise price of any option subject to variable accounting treatment, no compensation expense was recorded in the first quarter of 2001.

Impairment-Related and Other

- We began implementation of our operational restructuring plan to reduce our operating costs, streamline our organizational structure and consolidate certain of our fulfillment and customer service operations. As a result of this initiative, we recorded restructuring and other charges of $114 million during the first quarter, and anticipate additional charges of over $50 million during the second quarter of 2001. This initiative involves the reduction of employee staff by approximately 1,300 positions throughout the Company in managerial, professional, clerical, technical and fulfillment roles; consolidation of our Seattle corporate office locations; closure of our McDonough, Georgia, fulfillment center; seasonal operation of our Seattle fulfillment center; closure of our customer service centers in Seattle and The Hague, Netherlands; and migration of a large portion of our technology infrastructure to a Linux-based operating platform, which entails ongoing lease obligations for equipment no longer utilized. We anticipate that each component of the restructuring plan will be substantially complete by June 30, 2001.
- Costs that relate to ongoing operations are not part of restructuring and other charges. All inventory adjustments that may result from the closure or seasonal operation of our fulfillment centers are classified in "Cost of goods sold" on the consolidated statements of operations. As of March 31, 2001, there have been no significant inventory write-downs resulting from the restructuring, and none are anticipated.
- For the quarter ended March 31, 2001, the charges associated with our restructuring were as follows (in thousands):

Asset impairments	$ 58,748
Continuing lease obligations	34,292
Termination benefits.......................................	15,088
Broker commissions, professional fees and other miscellaneous restructuring costs	6,132
	$ 114,260

- Asset impairments primarily relate to the closure of the McDonough, Georgia, fulfillment center, the write-off of leasehold improvements in vacated corporate office space, and the other-than-temporary decline in the fair value of assets in the Seattle fulfillment center. For assets to be disposed, we estimated the fair value based on expected salvage value less costs to sell. For assets held for continued use, the decline in fair value was measured using discounted estimates of future cash flows. We are actively seeking third-party buyers for the assets held for disposal.
- Continuing lease obligations primarily relate to heavy equipment previously used in the McDonough, Georgia, fulfillment center, vacated corporate office space, technology hardware removed from service as part of the migration to a Linux-based operating platform, and unutilized overcapacity at our backup data center. Where possible, we are actively seeking third parties to sublease abandoned equipment and facilities. Amounts expensed represent estimates of undiscounted future cash outflows, offset by anticipated third-party subleases.
- Termination benefits comprise severance-related payments for all employees to be terminated in connection with the operational restructuring, as well as the contribution of common stock to a trust for the benefit of terminated employees. Termination benefits do not include any amounts for employment-related services prior to termination. Other restructuring costs include professional fees, decommissioning costs of vacated facilities, broker commissions and other miscellaneous expenses directly attributable to the restructuring.
- First quarter 2001 cash payments resulting from the restructuring were $10 million.
- We anticipate the restructuring charges, including over $50 million of charges expected to be recorded during the three months ending June 30, 2001, will result in the following net cash outflows (in thousands):

	Leases	Termination Benefits	Other	Total
Year Ending December 31,				
2001	$ 33,728	$ 12,160	$ 9,186	$ 55,074
2002	30,258	78	1,024	31,360
2003	4,078	—	2	4,080
2004	1,514	—	1	1,515
2005	1,474	—	—	1,474
Thereafter	6,007	—	—	6,007
Total estimated cash outflows	$ 77,059	$ 12,238	$ 10,213	$ 99,510

Net Interest Expense and Other

- Other gains and losses primarily relate to miscellaneous taxes and foreign currency transaction losses.

Non-Cash Gains and Losses

- Non-cash gains and losses includes a gain of $22 million associated with the termination of our services contract with Kozmo.com, and a gain of $46 million on the remeasurement of our Euro-denominated debt due to fluctuations in currency exchange rates. These gains were offset by non-cash impairment losses of $36 million relating to other-than-temporary declines in the fair value of Webvan Group, Inc., Sotheby's Holdings, Inc., WeddingChannel.com and drugstore.com, inc. Other non-cash gains recorded during the first quarter of 2001 were primarily related to the acquisitions of certain investees by unrelated third parties, and the recording to fair value of our warrant investments consistent with SFAS 133.
- In connection with the termination of our commercial agreement with Kozmo.com in February 2001, we recorded a non-cash gain of $22 million, representing the amount of unearned revenue associated with the contract. Since services had not yet been performed under the contract, no amounts associated with this commercial agreement were recognized in "Net sales" during any period. Furthermore, during 1999, we made a cash investment of $60 million to acquire preferred stock of Kozmo.com and accounted for our investment under the equity method of accounting. Pursuant to the equity method of accounting, we recorded our share of Kozmo.com losses, which, during 2000, reduced the basis in our investment to zero. Accordingly, at the time Kozmo.com announced its intentions to cease operations in April 2001, we did not have any further loss exposure relating to our investment. We do not expect to recover any portion of our investment in Kozmo.com.

Equity in Losses of Equity-Method Investees

- Equity in losses of equity-method investees represents our share of losses of companies in which we have investments that give us the ability to exercise significant influence, but not control, over an investee. Equity-method losses reduce our underlying investment balances until the recorded basis is reduced to zero.

Loss Per Share

- The effect of stock options is antidilutive and, accordingly, is excluded from diluted loss per share. If the effect of stock options was included, the number of shares used in computation of diluted loss per share would have been approximately 374 million, compared to 357 million shares used in computation of basic and diluted loss per share for the three months ended March 31, 2001.

Financial Condition

Cash and Marketable Securities

- Cash and marketable securities are impacted by the effect of quarterly fluctuations in foreign currency exchange rates, particularly the Euro.
- Our marketable securities, by major security type, as of March 31, 2001, were as follows (at fair value; in thousands):

Corporate notes and bonds	$ 15,548
Asset-backed and agency securities	37,729
Treasury notes and bonds	120,862
Equity securities	21,890
	$ 196,029

Accounts Payable

- Ending accounts payable days were approximately 45 days, a decrease of approximately 7 days, primarily attributable to our changing mix of business.

Certain Definitions and Other

- In January 2001, the Company reorganized its segment reporting to include four segments: U.S. Books, Music and DVD/Video; U.S. Electronics, Tools and Kitchen; International; and Services. Allocation methodologies are consistent with past presentations, and prior period amounts have been reclassified to conform with current period presentation.
- The U.S. Books, Music and DVD/Video segment includes revenues, direct costs and cost allocations associated with retail sales from *www.amazon.com* for books, music and DVD/video products, and includes amounts earned on sales of similar products sold through Amazon Marketplace.
- The U.S. Electronics, Tools and Kitchen segment includes revenues, direct costs and cost allocations associated with *www.amazon.com* retail sales of Electronics (consumer electronics, camera and photo items, software, computer and video games, and wireless products), Tools (tools and hardware) and Kitchen (kitchen and housewares products and outdoor living items) products, toys sold other than through our Toysrus.com strategic alliance, and new initiatives, and includes amounts earned on sales of similar products sold through Amazon Marketplace.
- U.S. Retail represents the combination of the U.S. Books, Music and DVD/Video segment and the U.S. Electronics, Tools and Kitchen segment.
- The International segment includes all revenues, direct costs and cost allocations associated with the retail sales of the Company's four internationally focused sites: www.amazon.de, www.amazon.fr, www.amazon.co.jp and www.amazon.co.uk.
- The Services segment includes revenues, direct costs and cost allocations associated with the Company's business-to-business strategic relationships, including our strategic alliance with Toysrus.com, and miscellaneous advertising revenues, as well as amounts from Amazon Auctions, zShops and Payments.
- Trailing twelve-month sales per active customer figures include all amounts earned through Internet sales, including revenue earned from our strategic relationships with selected companies, but exclude catalog sales and sales of inventory to Toysrus.com.

Exhibit 3:

Valuation Model for Amazon.com Extracted From Sell-Side Research Report Dated June 21, 2001

Exhibit 5

Amazon.com - Annual Income Statement

($ Thousands, Except EPS)

	1994(a)	1995	1996	1997(b)	1998	1999	2000	2001E	2002E
Total Revenue	$0	$511	$15,746	$147,787	$609,912	$1,639,839	$2,761,983	$3,411,858	$4,281,541
U.S. Books, Music and DVD Video	0	511	15,746	147,787	588,013	1,308,292	1,698,266	1,754,783	1,969,509
U.S. Electronics, Tools and Kitchen	0	0	0	0	0	150,654	484,151	758,507	944,462
International	0	0	0	0	21,806	167,743	381,075	694,750	1,027,570
Services	0	0	0	0	0	13,148	198,491	203,817	340,000
Cost of Goods	0	409	12,287	118,969	476,156	1,349,194	2,106,206	2,561,321	3,189,748
Gross Profit	0	102	3,459	28,818	133,756	290,645	655,777	850,537	1,091,793
Operating Expenses	52	406	9,902	61,413	195,357	643,015	972,777	980,008	1,069,957
Marketing	0	98	3,413	16,840	41,438	176,613	179,783	134,013	143,668
Fulfillment	0	102	2,677	23,646	91,487	236,535	414,706	441,260	490,000
Technology and Content	38	171	2,401	13,916	46,660	159,722	269,326	292,451	307,843
General & Administrative	14	35	1,411	7,011	15,772	70,145	108,962	112,284	128,446
Operating Income	(52)	(304)	(6,443)	(32,595)	(61,601)	(352,370)	(317,000)	(129,471)	21,836
Depreciation Add Back	--	--	--	--	--	*36,806*	*84,460*	*81,616*	*71,419*
EBITDA	--	--	--	--	--	(315,564)	(232,540)	(47,855)	93,255
Net Interest Expense and Other	0	1	197	1,575	(12,585)	(37,445)	(100,158)	(119,182)	(78,800)
Interest Income	0	1	202	1,901	14,054	45,451	40,821	38,450	60,000
Interest expense (d)	0	0	(5)	(326)	(26,639)	*(84,566)*	(130,921)	(144,748)	(138,800)
Cash interest expense	*0*	*0*	*(5)*	*(326)*	*(2,029)*	*(45,666)*	*(79,374)*	*(97,500)*	*(88,800)*
Non-cash interest expense	*0*	*0*	*0*	*0*	*(24,610)*	*(38,900)*	*(51,547)*	*(47,248)*	*(50,000)*
Other Income/(Expense), net	0	0	0	0	0	1,670	(10,058)	(12,884)	0
Pre-Tax Income - Operating	(52)	(303)	(6,246)	(31,020)	(74,186)	(389,815)	(417,158)	(248,653)	(56,964)
Provision for Income Tax - Operating	0	0	0	0	0	0	0	0	0
Net Income - Operating	(52)	(303)	(6,246)	(31,020)	(74,186)	(389,815)	(417,158)	(248,653)	(56,964)
Extraordinary Items	0	0	0	0	(50,360)	(253,384)	(689,519)	(286,081)	0
Stock-Based Compensation	0	0	0	0	0	(30,618)	(24,797)	(2,916)	0
Amortization of Goodwill and Intangibles	0	0	0	0	0	(214,694)	(321,772)	(192,239)	0
Acquisition & Investment-Related Charges	0	0	0	0	0	(8,072)	(16,259)	(114,260)	0
Other	--	--	--	--	--	--	--	--	--
Equity in Losses of Equity Method Investees	--	--	--	--	--	(76,769)	(304,596)	(133,175)	(200,000)
Pre-Tax Income - Reported	(52)	(303)	(6,246)	(31,020)	(124,546)	(719,968)	(1,106,677)	(667,909)	(256,964)
Provision for Income Tax - Reported	0	0	0	0	0	0	0	0	0
Net Income - Reported	(52)	(303)	(6,246)	(31,020)	(124,546)	(719,968)	(1,106,677)	(667,909)	(256,964)
Earnings Per Share - Reported	($0.00)	($0.00)	($0.03)	($0.12)	($0.41)	($2.17)	($4.02)	($1.84)	($0.67)
Earnings Per Share - Operating	($0.00)	($0.00)	($0.03)	($0.12)	($0.25)	($1.18)	($1.19)	($0.68)	($0.15)
Shares used to calculate EPS ('000)	161,500	172,728	222,531	260,679	296,343	326,753	351,181	364,356	385,000
Revenue Mix									
U.S. Books, Music and DVD Video	--	100%	100%	100%	96%	80%	61%	51%	46%
U.S. Electronics, Tools and Kitchen		0%	0%	0%	0%	9%	18%	22%	22%
International	--	0%	0%	0%	4%	10%	14%	20%	24%
Services	--	0%	0%	0%	0%	1%	7%	6%	8%
Growth Rate									
Total Revenue (yr-yr)	--	NM	2,981%	839%	313%	169%	68%	24%	25%
Total Revenue (seq)	--	--	--	--	--	--	--	--	--
Expenses (yr-yr)	--	681	2,338	520	218	229	51	1	9
Expenses (seq)	--	--	--	--	--	--	--	--	--
Margin Analysis (% of Total Rev)									
Gross Margin	--	20.0%	22.0%	19.5%	21.9%	17.7%	23.7%	24.9%	25.5%
Operating Expenses	--	79%	63%	42%	32%	39%	35%	29%	25%
Marketing	--	19	22	11	7	11	7	4	3
Fulfillment	--	20	17	16	15	14	15	13	11
Technology and Content	--	33	15	9	8	10	10	9	7
General & Administrative	--	7	9	5	3	4	4	3	3
Operating Margin	--	-60%	-41%	-22%	-10%	-21%	-11%	-4%	1%
EBITDA Margin	--	--	--	--	--	-19%	-8%	-1%	2%
Other Metrics									
Headcount	--	--	151	614	2,100	7,650	8,700	8,000	11,000
Ann. Rev ('000)/Employee	--	--	--	$386	$449	$336	$338	$409	$451
Ann. Opex('000)/Employee	--	--	--	161	144	132	119	117	113
Ann. Opex/Ann. Rev. (per Emp.)	--	--	--	42%	32%	39%	35%	29%	25%
Customer Accounts at Period-End (MM)	--	--	--	1.5	6.2	16.9	29.4	39.7	49.0
Customers Added in Period (MM)	--	--	--	--	4.7	10.7	12.5	10.3	9.3
Cust. Accts. as % Internet Users	--	--	--	4%	5%	8%	10%	11%	11%
Total Worldwide Internet Users (MM)	--	--	--	40	125	200	300	375	450
Active Customers (MM)	--	--	--	--	--	--	--	--	--
As % of Total Customer Accounts	--	--	--	--	--	--	--	--	--
Customer Acquisition Cost	--	--	--	--	--	--	--	--	--
TTM Spend per Active Customer	--	--	--	--	--	--	--	--	--

(a) From period from July 5, 1994 (Inception) to December 31, 1994; (b) Amazon.com completed an IPO of (pre-splits) 3MM shares at $18 on May 15, 1997
(d) Includes interest related to 5/5/98 offering of $325MM ten-year senior discount notes (@ 10%); interest terms are non-cash for years 1-5.
(e) Includes goodwill amort. related to the 4/98 acq. of Bookpages, Telebook, IMD, as well as charges related to the 8/98 acq. of Junglee and PlanetAll, incl. amort. of goodwill & intang., transaction costs, inprocess .
(f) On 1/29/99, AMZN issued 4.75% convertible subordinated notes due 2009 with net proceeds of $1.25B; Cash interest expenses associated with the notes amounts to approximately $16MM per quarter.
(g) Merger & acquisition costs include $4.7MM in stock-based compensation costs.
(h) CQ4:99 COGS includes $39MM in inventory charges.
(I) On 2/11/00, AMZN issued 6 7/8% convertible subordinated notes due 2010 with net proceeds of $664MM; Cash interest expenses associated with the notes amounts to approximately $12MM per quarter.
AMZN stock splits: 2-for-1 on 6/2/98; 3-for-1 on 1/5/99; 2-for-1 on 9/2/99; Fiscal year ends in December; E = Morgan Stanley Research Estimates.

Amazon.com - Discounted Cash Flow (DCF) Analysis

($ Thousands)	C2000	C2001E	C2002E	C2003E	C2004E	C2005E	C2006E	C2007E	C2008E	C2009E	C2010E	
REVENUE	$2,761,983	$3,411,858	$4,281,541	$5,351,926	$6,689,907	$8,362,384	$10,452,980	$13,066,225	$16,332,782	$20,415,977	$25,519,972	
Y/Y Growth	68%	24%	25%	25%	25%	25%	25%	25%	25%	25%	25%	
EBITDA	(232,540)	(47,855)	93,255	267,596	468,294	752,615	1,045,298	1,437,285	1,959,934	2,654,077	3,572,796	
Y/Y Growth	--	-79%	-295%	187%	75%	61%	39%	38%	36%	35%	35%	
As % of Revenue	-8%	-1%	2%	5%	7%	9%	10%	11%	12%	13%	14%	
CASH TAXES (a)	0	0	0	0	0	0	297,345	456,490	627,179	849,305	1,143,295	
As % of EBITDA	0%	0%	0%	0%	0%	0%	30%	32%	32%	32%	32%	
WORKING CAP INCREASE	(207,582)	(120,315)	(261,545)	(171,262)	(200,697)	(234,147)	(271,777)	(313,589)	(359,321)	(367,488)	(408,320)	
As % of Revenue Increase	-18%	-19%	-30%	-16%	-15%	-14%	-13%	-12%	-11%	-9%	-8%	
CAPEX	134,758	94,437	137,009	160,558	173,938	192,335	219,513	261,325	293,990	347,072	408,320	
As % of Revenue Increase	12%	15%	16%	15%	13%	12%	11%	10%	9%	9%	8%	**TERMINAL**
As % of Revenue	5%	3%	3%	3%	3%	2%	2%	2%	2%	2%	2%	**VALUE**
FREE CASH FLOW	(159,716)	(21,977)	217,790	278,300	495,053	794,427	800,218	1,033,060	1,398,086	1,825,188	2,429,501	19,996,665
Y/Y Growth	--	-86%	-1091%	28%	78%	60%	1%	29%	35%	31%	33%	
NPV of Free Cash Flows	(159,716)	(21,977)	181,492	193,264	286,489	383,115	321,590	345,970	390,180	424,480	470,854	3,875,488

DCF Valuation Target for 12/31/01	
Net Present Value (NPV)	**$6,872,921**
Less Debt	$2,118,856
Plus Cash	$886,686
Full Value	$5,640,751
Shares Outstanding ('000) - Diluted	370,000
Hurdle Rate*	**20.0%**
Future Growth Rate	**7.0%**
DCF Per Share Value	**$15**

(a) NOLs as of 12/31/00	$1,650,000

DCF Valuation Sensitivity

		Discount Rate				
		13.0%	**16.0%**	**18.0%**	**20.0%**	**22.0%**
Fut. Growth Rate	**6.0%**	$41	$25	$19	$14	$11
	6.5%	$44	$26	$19	$15	$12
	7.0%	$47	$27	$20	$15	$12
	7.5%	$51	$28	$21	$16	$12
	8.0%	$55	$30	$22	$16	$13

Terminal Value as a % of NPV
56%

Implied Exit Future Cash Flow Multiple
8x

** Note that we use a Hurdle Rate rather than the Weighted Average Cost of Capital (WACC) as the discount rate for our DCF analysis. We believe that a Hurdle Rate is more appropriate because it more accurately reflects what we view as company-specific risks. We calculate the WACC at 12.6% based on a risk-free rateof 5.1% taken from the 10 year U.S. Government Bond Yield as of 1/11/01; a risk premium of 4.0% from Morgan Stanley Economics Research estimates of expected equity risk premium; beta of 2.23 from Barra's Beta relative to the S&P 500 as of 1/17/01; a cost of debt of 12.8%, and a debt weighting of 24%.*
EBITDA = Earnings Before Interest, Taxes, Depreciation, and Amortization; NPV = Net Present Value; A-T Debt Cost = After-Tax Debt Cost. Source: Morgan Stanley Internet Research